VZCZCXRO2669 PP RUEHFK RUEHKSO RUEHNAG RUEHNH DE RUEHKO #1185/01 1220120 ZNR UUUUU ZZH P 010120Z MAY 08 FM AMEMBASSY TOKYO TO RUEHC/SECSTATE WASHDC PRIORITY 3873 INFO RUEKJCS/SECDEF WASHDC PRIORITY RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY RUEAWJA/USDOJ WASHDC PRIORITY RULSDMK/USDOT WASHDC PRIORITY RUCPDOC/USDOC WASHDC PRIORITY RUEAIIA/CIA WASHDC PRIORITY RUEKJCS/JOINT STAFF WASHDC//J5// RHHMUNA/HQ USPACOM HONOLULU HI RHHMHBA/COMPACFLT PEARL HARBOR HI RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA// RHMFIUU/USFJ //J5/JO21// RUYNAAC/COMNAVFORJAPAN YOKOSUKA JA RUAYJAA/CTF 72 RUEHNH/AMCONSUL NAHA 9926 RUEHFK/AMCONSUL FUKUOKA 7541 RUEHOK/AMCONSUL OSAKA KOBE 1220 RUEHNAG/AMCONSUL NAGOYA 5911 RUEHKSO/AMCONSUL SAPPORO 8136 RUEHBJ/AMEMBASSY BEIJING 3079 RUEHUL/AMEMBASSY SEOUL 9094 RUCNDT/USMISSION USUN NEW YORK 9598

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E.O. 12958: N/A

TAGS: OIIP KMDR KPAO PGOV PINR ECON ELAB JA

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 05/01/08

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## Mainichi:

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- (2) BOJ report: Interest hike policy course corrected

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- 3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, April 30

NIKKEI (Page 2) (Full) May 1, 2008

### 09:01

Attended cabinet meeting in Diet building. Health, Labor and Welfare Minister Masuzoe remained. Met with Agriculture Minister Wakabayashi.

10:51

Met at Kantei with Vice Foreign Minister Yabunaka, followed by LDP Secretary General Ibuki.

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11:57

Met with Deputy Chief Cabinet Secretary Ono.

12:23

Met with Chief Cabinet Secretary Machimura.

13:03

Arrived at the Diet.

14:00

Attended Lower House plenary session. Mt afterwards with Lower House Speaker Kono.

15:42

Attended Lower House plenary session.

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16:58

Attended extra cabinet meeting. Masuzoe stayed on. Met later with National Public Safety Commission Chairman Izumi.

18:30

Held press conference at Kantei. Met with Machimura.

19:57

Returned to his official residence.

4) Diet restores provisional gas tax rate; Bill amending Road Construction Revenues Special Measures Law to clear Diet on May 13

TOKYO SHIMBUN (Top play) (Abridged slightly) May 1, 2008

A bill amending the Special Taxation Measures Law to revive the controversial provisional gasoline tax rate was passed into law in a House of Representatives' plenary session last night with the ruling bloc's two-thirds overriding vote. Three opposition parties -- Democratic Party of Japan, Social Democratic Party, and People's New Party -- refused to attend the session in protest against the revote. All members of the ruling Liberal Democratic Party and New Komeito voted for the bill. Immediately after the bill's passage, the government held a cabinet meeting and adopted an ordinance that would take effect on May 1 to reinstate the gasoline surcharge of 25.1 yen per liter after a lapse of one month. Some gas stations raised the gas prices before dawn of May 1. The ruling bloc also decided on April 30 to hold a second, overriding vote in a Lower House plenary session on May 13 to pass a bill revising the Road Construction Revenues Special Measures Law, which is designed to maintain the revenues earmarked solely for road improvement for 10 years.

Combined with soaring crude oil prices, the price of gasoline after the raise is likely to exceed 160 yen per liter. The timing of the gas price hike is expected to vary from gas station to gas station.

Although the Lower House plenary session was scheduled to open at 1:00 p.m., it was delayed for about one hour because DPJ members tried to block Lower House Speaker Yohei Kono from entering the plenary session hall.

The session adopted the ruling bloc-submitted motion to regard the Upper House's failure to take a final action within 60 days after receipt of a bill from the lower chamber to be a rejection of the bill, and took a second vote after a break. Of the opposition camp, the Japanese Communist Party attended the session and voted against the bill.

It is the first time that the 60-day rule has been invoked since

1952, when a bill on asset transfers by national hospitals was passed into law.

5) Prime minister plans to use road revenues to improve livelihood and come up with measures to improve medical system for elderly in June  $\,$ 

TOKYO SHIMBUN (Page 1) (Abridged slightly) May 1, 2008

Following the revival of the provisional gasoline tax rate, Prime

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Minister Yasuo Fukuda held a press conference at the Prime Minister's Office last night. He sought public understanding of the ruling bloc, which has resorted to a Lower House override vote on a bill amending the Special Taxation Measures Law, saying: "(The central and local governments) would continue to suffer from revenue shortages. There is a need to resolve such an irresponsible situation. It was a hard decision."

The prime minister also revealed a policy course to make a cabinet decision on a plan to free up the road tax revenues for general use starting in fiscal 2009 before or after holding a second, overriding vote to pass a bill revising the special law for revenues for road construction and improvement, which is designed to maintain the revenues earmarked solely for road improvement for 10 years. While emphasizing the need to maintain the taxation level in fiscal 2009 as well, he revealed a plan to use part of the tax revenues also for the environment and social security, saying, "The money will be used to improve the people's livelihood."

At the same time, the prime minister announced a plan to come up with measures to improve the medical system for the elderly (people aged 75 or older) before their insurance premiums are automatically deducted from their pension benefits in June, noting: "We will intensively examine problems associated with the system, and deal with them appropriately."

6) DPJ calls re-adoption of amendment to Special Taxation Measures Law "outrage"

NIKKEI (Page 2) (Full) May 1, 2008

The major opposition Democratic Party of Japan (DPJ) called the re-adoption of the bill amending the Special Taxation Measures Law in the Lower House "outrage" and protested against the re-adoption inside and outside the Diet, riding on the crest of its recent victory in the by-election for a Lower House seat in Yamaguchi 2nd District. The DPJ intends to keep an option of submitting a censure motion against Prime Minister Yasuo Fukuda until May 12 or later, when the government and the ruling bloc can take a re-vote on the bill revising the Law for Revenues for Road Construction aimed at maintaining revenues for road projects for 10 years.

Meeting the press after a Lower House plenary session yesterday, where the bill amending the Special Taxation Measures Law was re-approved, DPJ Deputy President Naoto Kan made this critical remark: "The bill was adopted despite opposition of 70 PERCENT of the public. (The government and the ruling parties) demonstrated that their policy was far apart from the public's will." DPJ Secretary General Yukio Hatoyama gave a public speech in Yurakucho,

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Tokyo, in which he said: "It's really regrettable to see the abolished provisional tax rates reinstated. We will call for an early dissolution of the Lower House for a snap election so that the public's desires will be reflected in politics."

DPJ President Ichiro Ozawa stayed at his personal office or the DPJ headquarters after attending a joint plenary meeting of DPJ members of both houses of the Diet in the morning, but he did not make any official remark. The DPJ planned to hold an executives' meeting and a standing committee meeting after the bill was re-adopted in the Lower House, but those meetings were canceled on the grounds that it

would not be time to discuss in concrete terms whether to submit a TOKYO 00001185 005 OF 011

censure motion.

Debate on the bill revising the Road Construction Law in the Committee on Financial Affairs is expected to be resumed on May 8 after the Golden Week holidays. When asked by reporters when to submit a censure motion against the prime minister, Kan said: "We will choose the most effective timing to do so. We need to fully discuss (revenues for road construction)."

7) Provisional tax rate for gasoline re-approved; DPJ faces dilemma as to whether to submit censure motion against prime minister

YOMIURI (Page 4) (Excerpts) May 1, 2008

The tax system-related bills aimed at reinstating the provisional tax rate for gasoline were approved in a Lower House plenary session yesterday. This move brought on strong objections from the opposition parties. The major opposition Democratic Party of Japan (DPJ) is reserving the option of submitting a censure motion against Prime Minister Fukuda, while taking a confrontational stand of pressing the prime minister to dissolve the Lower House for a snap election. The DPJ, however, faces a dilemma: The harder it drives the prime minister into a corner, the more remote dissolution of the Lower House becomes. With the party's presidential election set for September, DPJ President Ozawa has been forced to lead the party under a difficult situation.

DPJ Secretary General Hatoyama, meeting yesterday with party members of both houses of the Diet after the Lower House plenary meeting ended, said: "Major issues, such as road construction, missing records of paid pension premiums, and the medical service system for the elderly, lie ahead. I'd like you to thoroughly debate them in the Upper House." Hatoyama emphasized the need for full debate on the issues in the Diet. Later in the day, the DPJ Upper House executives held a standing committee meeting and confirmed the policy of delaying submitting a censure motion against the prime minister. DPJ Upper House Diet Affairs Committee Chairman Susumu Yanase told a news conference: "We will keep (a censure motion) for the next battle. We want to hold it until there is a more crucial scene."

As to when to submit a censure motion, Ozawa and other executives of the DPJ will meet on May 7 to discuss the timing, after analyzing how the public is reacting to gasoline price hikes.

A censure motion is seen as a double-edged sword. If the DPJ mishandles it, it could be exposed to public criticism.

Even if a censure motion is approved (in the Upper House), if the prime minister refuses to step down from the post or he refuses to dissolve the Lower House, the opposition parties will have no choice but to boycott Diet deliberations for many days. So, many in the DPJ are opposed to submitting a censure motion. A junior lawmaker noted, "If we boycott Diet deliberations for two weeks, our party will see its approval ratings plummeting." Meanwhile, if the party comes back to Diet deliberations so soon, the censure motion will lose its meaning as an ace to shake the ruling bloc. Perhaps for this reason, some in the DPJ have begun voicing a negative view about submitting a censure motion to the current session of the Diet with one member noting: "If the party submits it without any prospect for dissolution of the Lower House, its move will simply backfire."

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8) Tug-of-war played between lawmakers favoring road construction industry and junior lawmakers in LDP over road budget

With the passage of the bill amending the Special Taxation Measures Law yesterday, the ruling Liberal Democratic Party (LDP) saw conflicting views emerge between lawmakers tied to the construction industry, who are trying to secure revenues for road construction even after the now dedicated revenues are shifted to the general account, and junior lawmakers who assert that the decision by the government and the ruling bloc to incorporate the revenues for road construction into the general account should not be watered down. The tug of war between those two groups has begun over how much money will be allocated to the road maintenance and construction budget on the assumption that the bill revising the Law for Revenues for Road Construction will be readopted in the Lower House.

"Road construction is still necessary particularly in rural regions." This view was voiced in succession at a meeting yesterday morning of the Research Commission on Highways (headed by Yuji Yamamoto) held in the LDP headquarters ahead of the re-adoption of the bill. The meeting confirmed its support for the decision by the government and the ruling bloc to move the revenues for road construction into the general account in fiscal 2009. Meanwhile, the meeting saw a number of participants seek to promote road construction in rural areas at a steady pace. There were also some who expressed concerns about a possible review of the mid-term plan for road construction with one participant insisting: "It will be all right to incorporate the revenues for road projects into the general account if roads are constructed properly. But it's difficult to judge whether there is need to construct highways in rural areas only by means of cost efficiency."

9) Short-lived gas price cut: Triple whammy -- reinstatement of provisional gas tax rate, higher crude oil prices and higher food prices -- hits household budget

ASAHI (Page 2) (Excerpts) May 1, 2008

With the reinstatement of the provisional gas tax rate, retail gasoline prices will soar to a record level. Coupled with the rise in prices of foods and other items, the revival of the provisional tax rate will likely deal a double blow to the household budget. Regional differences in gasoline prices could further widen due to the reinstatement of the provisional gas tax rate. The political uproar is cause people throughout the nation to suffer the consequences.

An area along the No. 8 Ring Road in Tokyo is known as a most competitive area for gas stations. Approximately 20 passenger cars and trucks lined at a self-service gas station that was selling gasoline for 124 yen per liter.

Toshie Anzai (55), a delivery service operator, lamented, "The burden of my household budget will become heavier due to the rise on gas prices. My lunch consists of just rice balls. Nothing else. I

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must save wherever possible." Her gas expenses in April were lower than the previous month's level by 9,000 yen. However, there will be an increase of 12,000 yen in May. That is because the gas price will rise by about 30 yen per liter die to the revival of the provisional gas tax rate and the higher crude oil prices.

According to a household budget survey (household with more than two members) released by the Internal Affairs Ministry on April 30, gasoline consumption in March fell 5 PERCENT, compared with the same month a year earlier. The drop is attributable to consumers' buying restraint in expectation of the expiry of the provisional gas tax rate in April. However, household expenditures rose 13 PERCENT due to the rise in gas prices caused by the higher crude oil prices. Gasoline used for vehicles is often a necessity. People are limited in what they can do to hold down their gasoline expenditures.

10) Prime Minister Fukuda left in the lurch: Cannot dissolve Lower House due to poor cabinet support rate

YOMIURI (Page 2) (Excerpts)
May 1, 2008

The government of Prime Minister Yasuo Fukuda yesterday resolved the issue of reinstating the provisional gasoline tax rates, the highest priority issue, by pushing through a tax-related bill in a Lower House plenary session. However, there is a view that the hike in gasoline prices will further lower the already poor support rates for the Fukuda Cabinet. With confrontation continuing between the ruling and opposition parties due to the lopsided Diet (with the ruling camp controlling the Lower House and the opposition camp dominating the Upper House), Fukuda remains in a tough position since there are no prospects are in sight for boosting the popularity of his administration.

Fukuda opened his press conference last night by saying:

"I sincerely ask the public to cooperate with the policy of shifting revenues from gasoline and other road-related taxes to the general account budget, as well as with the reforms to help average people that I am trying to push forward with."

During the 12-minute press briefing, Fukuda sought the public to understand the revival of the provisional tax rates and reform of the special revenue resources for road construction projects. He admitted with good grace his responsibility for the drop and then the hike in the gasoline prices in one month. He stated: "I have no intention to blame such on the lopsided Diet."

However, the Fukuda administration has been increasing finding itself left in the lurch. According to a poll the Yomiuri Shimbun conducted in mid-April, the cabinet approval rate dropped to 30 PERCENT due to the poor handling of the appointment of new governor of the Bank of Japan, as well as the uproar over the introduction of the new medical care system for those 75 and over. The introduction of the new health care system for the elderly became the main cause for the defeat of a candidate backed by the ruling Liberal Democratic Party (LDP) in Yamaguchi. One mid-level LDP lawmaker took a pessimistic view, predicting the cabinet support rate would drop even further.

The main opposition Democratic Party of Japan (DPJ or Minshuto) is now considering submitting to the House of Councillors a censure

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motion against the prime minister if a bill amending the Road Construction Revenues Special Exemption Law is readopted in the House of Representatives on May 13. If the Lower House holds a revote on the bill, the Diet will be completely stopped, and the panel set up between the ruling and opposition camps in April for consultations is likely to hit a roadblock. Although Fukuda has been trying to find a way for across the board discussion with the opposition camp on the tax system and reform of the social security system, having in mind drastic tax system reform in mind, there is little hope that his desire can be met.

It is also difficult for Fukuda to turn the tables by dissolving the Lower House. With the defeat of the LDP candidate in the recent Lower House by-election in the Yamaguchi No. 2 constituency, the prevailing view in the LDP executive is that the prime minister is just not able to dissolve the Lower House for the time being.

11) LDP may submit no-confidence motion against Eda

TOKYO SHIMBUN (Page 2) (Full) May 1, 2008

The Diet yesterday approved a government-introduced bill revising the Special Taxation Measures Law with a second vote that was taken in the ruling-dominated House of Representatives since the opposition-controlled House of Councillors did not deliberate on the bill for a certain period of days and was therefore deemed to have voted down the bill. In this connection, Hidehisa Otsuji, chair of the ruling Liberal Democratic Party's lawmakers in the House of Councillors, held a press conference yesterday, in which he implied that the LDP could submit a no-confidence motion against House of

Councillors President Satsuki Eda. "House of Councillors President Satsuki Eda's responsibility is extremely heavy," Otsuji said. "We may submit a no-confidence motion against him," he added.

Otsuji also blamed the leading opposition Democratic Party of Japan (Minshuto) for its refusal to take a vote on the bill in the upper chamber. He said: "If the majority party tries to block deliberations, it would result in this course of action. The DPJ's responsibility is also extremely heavy."

Eda rebutted to reporters yesterday: "The House of Councillors indicated that it would be necessary to hold further deliberations. It's very regrettable that this was regarded as voting down the bill."

12) BOJ economic outlook report takes neutral stance on monetary policy; Outlook for real economic growth revised down to 1.5 PERCENT

NIKKEI (Page 1) (Excerpt) May 1, 2008

The Bank of Japan (BOJ) yesterday revised its previous policy that had eyed the possibility of an interest rate hike, noting in its Outlook for Economic Activity and Prices (Outlook Report) that it is not appropriate to predetermine the direction of future monetary policy. Governor Masaaki Shirakawa clarified the central bank's decision to opt to take a neutral stance regarding future monetary policy. He said, "We will manage monetary policy in a flexible manner, by elaborately checking risks of both raising and lowering an interest rate." Citing increasing downside risks to the economy,

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the BOJ revised down the outlook for real growth of the economy for fiscal 2008 from 2.1 PERCENT in the previous report issued in October last year to 1.5 PERCENT .

13) Foreign Minister Koumura off to Pakistan on May 2

MAINICHI (Page 5) (Full) May 1, 2008

Foreign Minister Masahiko Koumura will visit Pakistan on May 2-5 to meet with President Musharraf and Prime Minister Gillani. A Japanese high official will visit the country for the first time since the Gillani government was inaugurated at the end of March.

After a spate of uproars, including the assassination of former Prime Minister Bhutto last December, Gillani was elected president in the general election in February. Komura and Gillani will discuss cooperation to fight against terrorism and economic assistance.

14) Senior vice foreign minister to be sent to Sudan

MAINICHI (Page 5) (Full) May 1, 2008

The government announced yesterday that it will send in early May Senior Vice Foreign Minister Itsunori Onodera and Parliamentary Secretary for Foreign Affairs Yasuhide Nakayama to Sudan. The

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government is considering a dispatch of Self-Defense Force (SDF) personnel to PKO (United Nations peacekeeping operations), which has been deployed in the country. The visit to Sudan by Onodera and Nakayama is aimed to pave the way for the SDF's participation in the PKO in the country. Onodera will visit Darfur on May 2-6 and meet with President Al-Bashir and the governor of Darfur to urge them to resume reconciliation talks. Nakayama will visit on May 5-11 the site of UNMIS (UN Mission in Sudan).

15) Japan to provide 20 billion in aid to Sudan

ASAHI (Page 4) (Full) May 1, 2008 The government decided yesterday to provide about \$200 million (approx. 20.8 billion yen) in aid to Sudan from 2008 through the summer of 2011 to help with the reconstruction of a country saddled with the Darfur conflict and other issues. In addition to aid through international organizations, Japan will resume its bilateral assistance that has been suspended since October 1992. In July, Japan will host a meeting of Group of Eight (G-8) leaders at Lake Toya in Hokkaido. Ahead of the event, the government is aiming to make an appeal on Japan's international contributions as the G-8 host.

Parliamentary Foreign Secretary Yasuhide Nakayama will formally announce the decision in a meeting of donors to be held in Oslo for Sudan from May 5. Japan will make a donation of 1 billion yen through the United Nations World Food Program and will also fund the Office of the U.N. High Commissioner for Refugees for its assistance to repatriated refugees in Sudan. The security situation in the southern part of Sudan has been comparatively stable since a peace accord was reached. Japan will directly assist Sudan in that area with road paving and other infrastructure improvement projects through the Japan International Cooperation Agency.

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Senior Vice Foreign Minister Itsunori Onodera will visit the province of Darfur tomorrow, and Nakayama will visit Sudan's southern part on May 9.

16) Tibet discussed

ASAHI (Page 4) (Full) May 1, 2008

Ahead of Chinese President Hu Jintao's visit to Japan, a group of lawmakers from the ruling Liberal Democratic Party held a symposium near the Diet yesterday to consider human rights in China, with former LDP Policy Research Council Chairman Shoichi Nakagawa presiding. In addition to former Prime Minister Abe and former LDP Secretary General Aso, there were about 350 people in the symposium.

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Participants insisted that Prime Minister Fukuda should not attend the Beijing Olympics opening ceremony and that the Japanese government should also speak out for the genuine autonomy of Tibet.

Meanwhile, a suprapartisan group of lawmakers also held a general meeting yesterday and adopted an urgent resolution on Tibet and the Beijing Olympics.

17) Conservative lawmakers urge Fukuda to boycott Olympic ceremony

TOKYO SHIMBUN (Page 2) (Full) May 1, 2008

A suprapartisan group of conservative lawmakers, chaired by former Economy, Trade and Industry Minister Takeo Hiranuma, held a general meeting yesterday afternoon in an office building of Diet members and adopted an urgent resolution calling on the government to be cautious about the Beijing Olympics opening ceremony scheduled for Aug. 8. Referring to the Tibet issue, Hiranuma said, "If the turmoil continues, Prime Minister Fukuda should consider staying away from the ceremony."

The resolution, touching on Chinese President Hu Jintao's visit to Japan from May 6, notes: "The government should work even more strongly on the Chinese government to respect the Tibetan people's human rights and resolve the situation through direct dialogue with the 14th Dalai Lama who represents the Tibetan people. Meanwhile, China may ask for the presence of Imperial Family members in the Olympic opening ceremony. "The government could be blamed for its political use of such a visit," Hiranuma said. He added, "The government should forgo that."

18) Interview with Consul General to Okinawa Kevin Maher

RYUKYU SHIMPO (Page 2) (Full)

-- An announcement detailing the reversion of facilities in the southern part of the main island (of Okinawa) has been delayed.

"The reversions south of Kadena will be the next stage after the relocation of Futenma Air Station and the transfer (of Marines) to Guam, so there is no need to fret. There has been an agreement to return the part of Camp Zukeran (Foster) along Route 58, but coordination is going on regarding the residential plan as to whether to leave personnel who are single or those with families, so

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it will take a little time."

-- What about the delay in Futenma assessment?

"Politically, there are a various views in the government, prefecture, and Nago City, but the procedures are advancing. The assessment has been slow, but I am optimistic that the procedures will move ahead steadily.

"The (U.S. side's) budget accompanying the transfer (of Marines from Okinawa) to Guam involves delicate timing, in that there must be a judgment that the Futenma relocation plan has been successful. Budgetary procedures are advancing with the expectation that the Futenma relocation plan will be implemented. There is a point of view that if the Guam facilities are built, there could be a transfer to Guam even without the Futenma relocation, but that is mistaken. If there is no relocation of Futenma, even if the Guam facilities are built, we would look for another use for them. I am hoping that we can avoid that."

 $\mbox{--}$  The prefecture and others are calling for moving the alternate facility into the sea.

"The positioning of the runways has already been determined in detail. There is no option for revision. The plan will either be implemented or not."

-- Consideration is being given by the Department of the Navy to moving the Marines in Okinawa to Hawaii.

"The plan to transfer 8,000 Marines to Guam has not been changed. There is not plan (between the U.S. and Japan) to move them from Okinawa to Hawaii."

-- What about the deployment to Okinawa of the U.S. Marines' Osprey MV22?

"The Marines from before have said that there would be no change from the CH47 helicopters at Futenma. There has no been no specific plan to bring (Ospreys) to Okinawa."

SCHIEFFER